A MANUAL OF STANDARDIZED ACCOUNTING FOR SHELTERED WORKSHOPS

NATIONAL ASSOCIATION OF SHELTERED WORKSHOPS
AND HOMEBOUND PROGRAMS, INC.
1029 Vermont Avenue, N. W.
Washington, D. C.

HV1711
N

M.C. MIGEL LIBRARY
AMERICAN PRINTING
HOUSE FOR THE BLIND

C.1

HV171I
N
copy one

NATIONAL ASSOCIATION OF SHELTERED WORKSHOPS
AND HOMEBOUND PROGRAMS, INC.
1029 Vermont Ave., N.W.
Washington, D. C.

OFFICERS

Dr. Howard Lytle (President)
Goodwill Industries, Inc.
Indianapolis, Indiana

C. T. Higgins (Vice President)
Alabama Society for Crippled Children
and Adults, Inc.
Montgomery, Ala.

J. Arthur Johnson (Treasurer)
Columbia Lighthouse for the Blind
Washington, D.C.

Dr. Max Dubrow (Secretary)
AHRC Training Center & Workshop
New York, N.Y.

BOARD MEMBERS

Dr. Robert C. Adair
Goodwill Industries - Suncoast, Inc.
St. Petersburg, Fla.

T. L. Pezman
Community Rehabilitation Industries
Long Beach, Calif.

Clyde E. Bedwell
Goodwill Industries, Inc.
Muskegon, Mich.

Janet Pinner
N. Y. State Department of Labor
New York, N.Y.

Dr. William Gellman
Jewish Vocational Service &
Employment Service
Chicago, Ill.

Vivian Shepherd
Rehabilitation Institute
Kansas City, Mo.

Byron M. Smith
Minneapolis Society for the Blind
Minneapolis, Minn.

EXECUTIVE DIRECTOR

Antonio C. Suazo

Digitized by the Internet Archive
in 2019 with funding from
American Printing House for the Blind, Inc.

https://archive.org/details/manualofstandard00nati

ACKNOWLEDGEMENT

The board of directors of the National Association of Sheltered Workshops and Homebound Programs, Inc., wishes to express its appreciation to those who so generously contributed their time and talents in the preparation of this manual.

Special thanks go to the National Society for Crippled Children and Adults, Chicago, Illinois, and to the Vocational Rehabilitation Administration, Department of Health, Education, and Welfare, Washington, D. C., for their assistance in this project.

The board further wishes to express its appreciation to the chairman, the members of the committee, the staff consultant, and to the persons who took time out to review the manual and offer constructive suggestions.

This publication represents many months of cooperative effort on the part of many individuals. We gratefully acknowledge the support and assistance of all who had a hand in its preparation.

Dr. Howard G. Lytle, President
National Association of Sheltered
Workshops & Homebound Programs, Inc.

STANDARDIZED ACCOUNTING COMMITTEE

William Ragolio (Chairman)
Goodwill Industries, Inc.
Chicago, Illinois

Clyde Bedwell
Goodwill Industries, Inc.
Muskegon, Michigan

Dr. William Fraenkel
Association for the Help
of Retarded Children
New York, New York

Robert Goodpasture
National Industries for the Blind
New York, New York

J. Arthur Johnson
Columbia Lighthouse for the Blind
Washington, D. C.

George MacDow
Community Workshop of R. I., Inc.
East Providence, Rhode Island

Donald W. Ullman
National Society for Crippled
Children and Adults
Chicago, Illinois

Robert E. Watkins
Goodwill Industries of America
Washington, D. C.

CONSULTANT

Robert H. Medford, CPA
Washington, D. C.

TABLE OF CONTENTS

		Page
	Introduction.....	i
I.	Suggested Balance Sheet.....	1
	1. Assets.....	2
	2. Liabilities & Net Worth.....	3
II.	Suggested Statement of Income, Cost and Expense.....	4
	1. Summary of Income.....	5
	2. Fund-raising and public education & information.....	6
	3. Service Departments.....	7
	4. Production Departments.....	8
	5. Allocation of Administrative & Overhead Expenses.....	10
III.	Account Titles of Chart of Accounts.....	12
	1. Assets.....	13
	2. Liabilities, Restricted Receipts & Net Worth.....	15
IV.	Descriptive Manual for Uniform Chart of Accounts.....	21
	1. Assets.....	22
	2. Liabilities, Restricted Receipts & Net Worth.....	29
V.	Appendix (illustrative examples).....	34
	1. Cash receipts & other income	
	2. Cash disbursements	
	3. Purchase or voucher register	

INTRODUCTION

During the past decade, many sheltered workshops have been established by individuals or groups with limited accounting or financial management experience. This may have resulted in some workshops not being managed on a sound business basis and inconsistencies in the financial statements prepared by various workshops.

The National Association of Sheltered Workshops and Homebound Programs has long been aware of the need for standardized accounting practices in sheltered workshops. Its officers are frequently asked to supply financial, production and other information to the various legislative bodies, governmental agencies, foundations and other member organizations for the benefit of all its members. In addition, it is anticipated that in the near future all sheltered workshops will be required to be accredited by some organization, as are hospitals. This will require adequate accounting control and procedures.

As a first step, to fill the need of a uniform accounting system specifically for sheltered workshops, the National Association of Sheltered Workshops and Homebound Programs has prepared the following manual. It is a modification of a manual prepared by the National Society for Crippled Children and Adults, Inc., and partially supported by the Vocational Rehabilitation Administration, Department of Health, Education, and Welfare, to conform to the operations of sheltered workshops. The assistance provided by these organizations in the preparation of this text is gratefully acknowledged.

No two Workshops are alike. Their physical layout, personnel situation, specialty, services rendered, etc., all differ. Therefore, it is difficult to prepare a Chart of Accounts, Financial Statements and Operations Manual which will fit the operations of all Workshops. This manual has been prepared only as a guide to try to arrive at some sort of uniformity and to give the inexperienced financial Officers of the Workshops examples of how to handle transactions of their organization.

All Workshops should have auditors. Many Workshops already have their books audited. These Workshops should consult their Auditors before making changes in their procedures to conform to this manual. An Auditor will be more familiar with the problems of the particular Workshop and will be able to advise if any change in the existing accounting procedure is recommended. No attempt has been made in the manual to provide cost accounting procedures. If the requests of the member Workshops warrant, this will be added. However, if a Workshop should desire a cost accounting system, an accountant would be better able to observe the particular situation and install the system to fit the needs of the Workshop.

SUGGESTED BALANCE SHEET

Example Sheltered Workshop

BALANCE SHEET
December 31, 1964

Assets

Cash:			
Checking Account		$ 5,150.00	
Savings Accounts			
Principal	$ 10,000.00		
Special Purpose:			
Restricted	10,000.00	20,000.00	
Petty Cash		100.00	$ 25,250.00
Accounts Receivable:			
Workshop Sales		$ 20,000.00	
Welfare Agencies		300.00	20,300.00
Inventories			40,000.00
Accrued Interest Receivable			400.00
Investments:			
Market Value $52,000.00			50,000.00

Plant and Equipment:

	Cost	Accumulated Depreciation	Book Value	
Land	$ 20,000.00		$ 20,000.00	
Building	80,000.00	20,000.00	60,000.00	
Equipment	60,000.00	15,000.00	45,000.00	
Motor Vehicles	6,000.00	2,000.00	4,000.00	
Total	$166,000.00	$ 37,000.00	$129,000.00	129,000.00

Deferred Charges:			
Stationery, Postage and Packaging Supplies		$ 6,000.00	
Unexpired Insurance		1,000.00	7,000.00
Total Assets			$271,950.00

Example Sheltered Workshop

BALANCE SHEET
December 31, 1964

Liabilities

Accounts Payable - Trade		$ 20,000.00
Employees' Taxes Withheld		2,000.00
Accruals:		
Salaries and Wages	$ 2,000.00	
Payroll Taxes	400.00	2,400.00
Mortgages Payable:		
Secured by Deed of Trust on Land and Building - Contra; Payable $500.00 per Month Including Principal and Interest at the Rate of 5 3/4% per annum		40,000.00
Total Liability		$ 64,400.00

Net Worth

Net Worth:		
Restricted	$ 10,000.00	
Unrestricted, Balance January 1, 1964	185,550.00	
Net Gain for Year	12,000.00	207,550.00
Total Liabilities and Net Worth		$271,950.00

SUGGESTED STATEMENT OF INCOME,

COST AND EXPENSE

Example Sheltered Workshop

STATEMENT OF INCOME
For the Year Ended December 31, 1964

Income: (See Schedules)	
Fund Raising and Donated Goods and Services	$ 13,000.00
Grant from National Voluntary Health Agency	10,000.00
Community Fund	10,000.00
Net Loss - Service Departments	(21,500.00)
Net Loss - Producing Departments (includes contract work sale of products, etc.)	(2,000.00)
Total	$ 9,500.00
Other Income:	
Dividends and Interest on Investments	2,000.00
Canteen & Vending Machines	100.00
Miscellaneous	400.00
Total Income for the Year	$ 12,000.00
Less: Unallocated Expenses for the Year	none
Net Gain for the Year	$ 12,000.00

Example Sheltered Workshop
Fund Raising and Public Education

STATEMENT OF INCOME, COST AND EXPENSE
For the Year Ended December 31, 1964

Income:		
Cash Contributions Received	$ 30,000.00	
Donated Goods and Services	30,000.00	
Total Income		$ 60,000.00
Expenses of Fund Raising and Public Relations (Education):		
Salaries and Wages	$ 20,000.00	
Postage	4,000.00	
Stationery and Office Supplies	5,000.00	
Fund Raising Consultants Fees	5,000.00	
Other Expenses	4,000.00	
Allocation of Building Overhead - See Schedule	3,000.00	
Allocation of Office Personnel and Administrative - See Schedule	6,000.00	
Total Expenses		47,000.00
Net Income		$ 13,000.00

Example Sheltered Workshop
Service Departments

STATEMENT OF INCOME, COST AND EXPENSE
For the Year Ended December 31, 1964

		Rehabilitation	Community Service	Other	Total
Income:					
8090	Sales of Supplies, Equipment, Etc.				$ 3,000.00
8110	Fees and Tuition				1,500.00
8120,8130	State, Federal Etc. Rehabilitation Grants				20,000.00
8500	Other Income				2,000.00
	Total Income				$ 26,500.00
Costs and Expense:					
9003,9004	Salaries and Wages				$ 15,000.00
9010	Professional Consultation Fees				750.00
9011	Welfare Expense				300.00
9012	Pilot Travel Training				500.00
9108	Medical Supplies, Drugs, Etc.				3,000.00
9745	Depreciation				400.00
	Summer Camp				600.00
9903	Travel				350.00
9901	Provision for Uncollectable Fees, Tuition and Rehabilitation Supplies, etc.				100.00
	Allocation of Building Overhead-See Schedule	4,500.00	4,500.00		9,000.00
	Allocation of Administration Expense-See Schedule	9,000.00	9,000.00		18,000.00
	Total Costs and Expense	$	$	$	$ 48,000.00
Net Loss		$	$	$	$(21,500.00)

Example Sheltered Workshop
Production Departments

STATEMENT OF INCOME, COST AND EXPENSE
For the Year Ended December 31, 1964

	Workshop Dept. A	Workshop Dept. B	Total
Production Income:			
8010-8020 Sales	$150,000.00	$100,000.00	$250,000.00
Cost of Sales:			
1600 Inventory - January 1, 1964	$ 25,000.00	$ 15,000.00	$ 40,000.00
9210-9220 Materials Donated	40,000.00	25,000.00	65,000.00
9230-9240 Materials and Supplies Purchased	20,000.00	13,800.00	33,800.00
9260-9270 Other Costs	8,000.00	4,000.00	12,000.00
9030-9040 Wages Earned - Handicapped	40,000.00	25,000.00	65,000.00
Non-Handicapped	4,000.00	6,000.00	10,000.00
	$137,000.00	$ 88,800.00	$225,800.00
Less: Closing Inventory, December 31, 1964	25,000.00	15,000.00	40,000.00
Cost of Sales	$112,000.00	$ 73,800.00	$185,800.00
Gross Profit	$ 38,000.00	$ 26,200.00	$ 64,200.00
Other Costs and Expenses:			
9031,9041 Wage Subsidies	$ 1,500.00	$ 1,000.00	$ 2,500.00
9080,9090 Payroll Taxes	2,000.00	1,300.00	3,300.00
9350,9360 Repairs and Maintenance	2,000.00	1,000.00	3,000.00
9400 Direct Utilities	700.00	-	700.00
9400 Depreciation	3,000.00	2,000.00	5,000.00
Rental of Equipment	-	700.00	700.00
Other Expenses: See Schedule			
Allocation of Building Overhead	9,000.00	6,000.00	15,000.00
Allocation of Administrative Overhead	21,000.00	15,000.00	36,000.00
Total Costs and Expenses	$ 39,200.00	$ 27,000.00	$ 66,200.00
Net Loss - Producing Departments	$(1,200.00)	$(800.00)	$(2,000.00)

ILLUSTRATED OVERHEAD

AND

ADMINISTRATION EXPENSE AND ALLOCATIONS

OVERHEAD AND ADMINISTRATION EXPENSES AND ALLOCATION
For the Year Ended December 31, 1964

		Building and Overhead Expenses	Office, Personnel and Administrative Expenses
9001-9002	Salaries, and Wages	$ 10,000.00	$ 40,000.00
9051-9054	Payroll Taxes	-	2,000.00
9055-9057	Health Insurance, Pension Funds and Other Employee Insurance	-	600.00
9101	Stationery	-	750.00
9102	Office Supplies and Expenses	-	750.00
9107	Housekeeping Supplies	400.00	-
9110	Food and Kitchen Supplies	-	1,000.00
9113,9304	Auto and Truck Expenses	-	1,300.00
9301-9303	Repairs and Maintenance	3,700.00	150.00
9401-9405	Utilities	3,700.00	-
9409	Telephone	-	2,500.00
9501-9502	Dues, Memberships and Subscriptions	-	750.00
9504	Attorney Fees	-	1,000.00
9505	Audit and Accounting Fees	-	1,500.00
9506	Interest on Mortgage	2,500.00	-
9599	Other Expenses	200.00	350.00
9600	Insurance - Building and Administration	2,000.00	500.00
9710	Depreciation of Building	2,000.00	-
9720	Depreciation of Furniture and Equipment	150.00	350.00
9720	Depreciation of Autos and Trucks	-	2,000.00
9750	Rental of Buildings Other than Workshop Buildings	2,500.00	-
9760-9780	Rental of Equipment	350.00	50.00
9902	Travel	-	750.00
9904	Licenses	-	50.00
9906	Property Taxes and Assessments	2,000.00	-
9999	Other Expenses	500.00	650.00
	Allocation of Building Overhead Expense - See Schedule	-	3,000.00
	Total Building and Overhead and Office Expense	$ 30,000.00	$ 60,000.00

See Allocation of Above Expenses on Following Page.

Example Sheltered Workshop

ALLOCATION OF OVERHEAD EXPENSES

	Allocation*	% **
Office, Personnel and Administrative	$ 3,000.00	10
Fund Raising and Public Education	3,000.00	10
Workshop Dept. - A	9,000.00	30
Workshop Dept. - B	6,000.00	20
Rehabilitation	4,500.00	15
Community Services	4,500.00	15
Total Overhead Expenses Allocated	$ 30,000.00	100%

ALLOCATION OF OFFICE, PERSONNEL AND ADMINISTRATIVE EXPENSE

Fund Raising and Public Education	$ 6,000.00	10
Workshop Dept. A	21,000.00	35
Workshop Dept. B	15,000.00	25
Rehabilitation	9,000.00	15
Community Services	9,000.00	15
Total Administrative Expenses Allocated	$ 60,000.00	100%

* See previous page for details

** Arbitrary % based on portion of building used by various Departments or on Payroll or other method.

ACCOUNT TITLES

OF

CHART OF ACCOUNTS

ACCOUNT TITLES OF UNIFORM CHART OF ACCOUNTS

ASSETS

1000-1999 Current Assets

- 1000 Cash
  - 1001 Cash in Bank A
  - 1002 Cash in Bank B
  - 1010 Cash in Savings Association A
  - 1099 Imprest Cash Funds (Petty Cash)
- 1100 Notes Receivable
- 1200 Accounts Receivable
  - 1210 Workshop Sales
  - 1220 State Vocational Rehabilitation Agencies
  - 1230 State and Local Public Welfare Agencies
  - 1240 Other State and Local Agencies
  - 1250 Federal Agencies
  - 1260 Patients and Clients
  - 1270 National Voluntary Health Agencies
  - 1280 Community Fund
  - 1290 Other
- 1300 Allowance for Uncollectable Accounts (Credit Balance Account)
- 1400 Accrued Interest Receivable
- 1500 Other Receivables and Accrued Income
- 1600 Inventories
- 1700 Prepaid Expenses

2000-2999 Investments

3000-3999 Property, Equipment and Accumulated Depreciation

3000 Land

3100 Buildings

3200 Accumulated Depreciation of Buildings (Credit Balance)

3300 Furniture, Fixtures and Equipment - General and Administrative

3400 Accumulated Depreciation of Furniture, Fixtures and Equipment - General and Administrative (Credit Balance)

3500 Automobiles and Trucks

3600 Accumulated Depreciation of Automobiles and Trucks (Credit Balance)

3700 Workshop Equipment

3710 Workshop A - Machinery

3711 Workshop A - Equipment

3712 Workshop A - Tools

3720 Workshop B - Machinery

3721 Workshop B - Equipment

3722 Workshop B - Tools

3800 Accumulated Depreciation (Credit Balance)

3810 Workshop A - Machinery

3811 Workshop A - Equipment

3812 Workshop A - Tools

3820 Workshop B - Machinery

3821 Workshop B - Equipment

3822 Workshop B - Tools

3900 Plant Under Construction

LIABILITIES

4000-4999 Current Liabilities

- 4000 Accounts Payable
- 4100 Salaries, Wages and Fees Payable
- 4150 Taxes Withheld from Wages (can be combined with 4200)
- 4200 Taxes Payable
- 4300 Accrued Expenses Payable
- 4400 Clients' Advance Payments
- 4500 Refundable Contributions and Grants
- 4600 Other Current Liabilities

5000-5999 Mortgages, Notes Payable, and Other Long Term Liabilities

- 5000 Mortgages Payable
- 5500 Notes Payable
- 5900 Other Long Term Liabilities

RESTRICTED RECEIPTS AND DEFERRED INCOME

6000-6999 Restricted Receipts

- 6000 Receipts Restricted for Endowment
- 6100 Receipts Restricted for Building
- 6200 Receipts Restricted for Equipment

NET WORTH

7000-7999 Net Worth

- 7000 Prior Years' Net Worth
- 7100 Current Year's Net Gain or Loss

INCOME

8000-8999 Income

8000 Sales

8010 Workshop Dept. A

8020 Workshop Dept. B

8090 Rehabilitation Supplies, Equipment, Drugs, Devices, Etc.

8100 Fees, Grants and Subsidies

8120 State Vocational Rehabilitation Agencies

8130 State and Local Public Welfare Agencies

8140 Other State and Local Agencies

8150 Federal Agencies

8160 Trainees and Clients (Including Tuition)

8170 National Voluntary Health Agencies

8180 Community Fund

8190 Other

8200 Restricted Contributions and Grants

8300 Unrestricted Contributions and Grants

8400 Donated Goods and Services

8500 Other Income

8510 Securities, Investment Interest and Dividends

8515 Gain or Loss on Sale of Securities

8520 Vending Machines, Canteen, Etc.

8530 Discounts

8540 Gain or Loss on Sale of Equipment

8550 Bad Debts Recoveries

8590 Miscellaneous

EXPENSES AND COSTS

9000-9999 Expenses

9000 Salaries, Wages and Fringe Benefits

9001 Salaries - Administrative, Personnel and Office

9002 Salaries - Building Maintenance, Service Departments, Etc.

9003 Salaries - Community Services

9004 Salaries - Rehabilitation Therapy, Evaluation, Counseling, Etc.

9005 Salaries - Fund Raising and Public Information

9010 Professional Consultation Fees

9011 Welfare Expense

9012 Pilot Travel Training

9030 Workshop A - Wages Earned

9031 Workshop A - Wage Subsidies

9040 Workshop B - Wages Earned

9041 Workshop B - Wage Subsidies

9051 F.I.C.A. - Employer's Portion - Administrative and Service Departments

9052 Other Payroll Taxes - Administrative and Service Departments

9053 Health Insurance

9054 Pension Payments

9055 Workmen's Compensation Insurance

9080 Payroll Taxes - Workshop A

9090 Payroll Taxes - Workshop B

9099 Other Fringe Benefits

9100 Supplies and Materials - Administrative and Fund Raising

9101 Stationery

9102 Office Supplies and Expenses other than Stationery

9103 Fund Raising - Stationery

9104 Fund Raising - Postage

9105 Fund Raising - Other

9106 Public Information Supplies

9107 Housekeeping Supplies

9108 Medical Supplies, Drugs and Medications

9110 Food and Kitchen Supplies

9113 Gasoline and Oil for Automobiles and Trucks

9199 Other Supplies

9200 Materials and Supplies - Workshops

9210 Material Donated - Workshops A

9220 Material Donated - Workshop B

9230 Materials and Supplies Purchased - Workshop A

9240 Materials and Supplies Purchased - Workshop B

9260 Other Costs - Workshop A (Freight, Commissions, Sales Expense, Etc.)

9270 Other Costs - Workshop B (Freight, Commissions, Sales Expense, Etc.)

9300 Repairs and Maintenance

9301 Repairs and Maintenance to Building

9302 Repairs and Maintenance to Administrative Equipment

9303 Maintenance to Grounds

9304 Repairs and Maintenance to Automobiles and Trucks

9350 Repairs and Maintenance to Equipment - Workshop A

9360 Repairs and Maintenance to Equipment - Workshop B

9399 Other

9400 Utilities

9401 Electricity

9402 Gas

9404 Heat

9405 Water

9409 Telephone and Telegraph

9499 Other Utilities

9500 Dues, Subscriptions, Legal, Audit, Etc.

9501 Dues and Memberships of Organization

9502 Subscriptions to Periodicals

9504 Attorney Fees

9505 Audit and Accounting Fees

9506 Interest on Mortgage

9599 Other Dues, Etc.

9600 Insurance

9601 Fire

9602 Liability

9603 Fidelity

9604 Casualty Other Than Fire

9605 Automobile and Truck

9699 Other Insurance

9700 Depreciation and Rent

- 9710 Depreciation of Buildings
- 9720 Depreciation of Furniture, Fixtures and Equipment - Administrative and General
- 9725 Depreciation of Furniture, Fixtures and Equipment - Fund Raising
- 9730 Depreciation of Automobiles and Trucks
- 9740 Depreciation of Equipment, Machinery and Tools - Workshop A
- 9741 Depreciation of Equipment, Machinery and Tools - Workshop B
- 9745 Depreciation of Rehabilitation Equipment
- 9750 Rental of Buildings
- 9760 Rental of Administrative and General Furniture and Equipment
- 9780 Rental of Automobiles and Trucks
- 9790 Rental of Machinery and Equipment - Workshop A
- 9791 Rental of Machinery and Equipment - Workshop B

9900 Other

- 9901 Provision for Uncollectable Accounts
- 9902 Travel and Expenses of Attending Meetings and Courses
- 9903 Travel - Community Services
- 9904 Licenses
- 9906 Property Taxes and Assessments
- 9920 Fund Raising Fees, Commissions, Consultation Fees
- 9921 Other Fund Raising Expenses
- 9999 Miscellaneous

DESCRIPTION OF UNIFORM CHART OF ACCOUNTS

The enclosed Chart of Accounts has been devised to cover most of the activities of the workshops which are members of the National Association of Sheltered Workshops & Homebound Programs. Some workshops will have to expand on the Chart in order to cover all of their activities. Others will not need all the accounts on the Chart. The following is a brief description of each account and the types of transactions which relate to each.

ASSETS

1000-1999 Current Assets

1000 Cash - The balances of each of the accounts within the cash accounts represents the amount on deposit in each of the banks, savings Associations, or other depository used by the workshop. The balance in the petty cash fund account represents the amount of cash on hand in the workshop to pay small expenses. Some workshops might need an additional account for Imprest Cash funds advanced to employees to cover travel or other expenses.

1100 Notes Receivable - Each note taken from a customer, employee, patient or from some other source should be recorded within the 1100 series of accounts. Each note should have its own account in order to avoid maintaining a subsidiary ledger. The balances of each account will represent the balance due on each note.

1200 Accounts Receivable - Most of the sources of accounts receivable due the workshop are covered within the 1200 series of accounts. It might be desirable to break down the accounts further such as:

1270 National Voluntary Health Agencies
1271 National Foundation
1272 Easter Seal Societies

1300 Allowance for Uncollectable Accounts - The balance of this account represents the amount of accounts and notes receivable which have been estimated to be uncollectable. By estimating the amount of each month's, or period's, sales or services which will be uncollectable a large write off can be avoided against some future periods profit results. Also, by providing the allowance for uncollectables, a more realistic analysis can be made of the cash on hand or to be collected versus the amount of current obligations to be paid.

1400 Accrued Interest Receivable - The balance of this account represents the amount of interest which has been earned but not received on bonds, savings accounts or notes receivable. When the interest is received or added to the pass book from the savings institution this account is reduced and the income added to the cash account or to the balance on deposit in the account designated for the particular savings institution.

1500 Other Receivables and Accrued Income - This account will represent any other amounts due the workshop which are not covered in the other accounts. Some examples of items in this account would be dividends declared but not received, subsidies from United Funds, grants due from private and government agencies, pledges or

other contributions due from donors. These items should not be considered as receivable unless there is a firm expectation that they will be received.

1600 Inventories - Most all of the workshops will have inventories in the various departments and this account will probably be subdivided into the various departments or workshops within the workshop itself. Some workshops will have cost accounting systems in effect. These shops should consult with their accountants before attempting to use these procedures or the Chart of Accounts. It is believed that the Chart itself will work into their system but some of the procedures and examples shown herein will not be adaptable to their system. The examples shown herein are designed for the most simple accounting system possible which will produce most of the information which workshop management will need to evaluate its operations. Therefore, this account will usually show the balance of the inventory at the end of the previous accounting period or year. The account will be adjusted to the actual count of the inventory at the end of the workshops' year or more often, as desired. For interim statements it is not necessary to adjust the inventories on the books themselves. In addition to the inventories of the workshops, this account would also include inventories of stationery, office supplies and postage on hand at the close of the period.

1700 Prepaid Expenses - This account will include the cost of stationery, office supplies and postage if not included in inventories above, prepayments such as rent paid in advance, maintenance service contracts, interest added on notes payable, etc. The total prepayment should be charged to this account and each month, or other accounting period, the portion used during the period should be taken from the prepaid expenses and charged to expenses for the period.

2000-2999 Investments - Stocks, bonds or other investments received or purchased by the workshop should be recorded in separate accounts within the 2000 series of accounts at the cost of the securities or the market value when they are received. It would be desirable to include on the account page the serial number of the certificate or debenture and any other pertinent data concerning the particular investment such as the due dates of interest or the due date of the debenture.

3000-3999 Property, Equipment and Accumulated Depreciation - The costs of all property acquired by the workshop would be recorded at cost or the market value when donated in accounts divided in such a manner to determine the cost of the equipment by the various departments or shops within the organization. In this manner, the costs of equipment can be depreciated against the income of the various departments. In order to facilitate accounting, only items costing less than $50.00 or $100.00 should be charged directly to expense of the particular department when acquired.

3000 Land - Land used in operations is recorded at cost. The cost includes any incidental costs such as grading, roadways, surveys, settlement fees, etc. Expenditures for upkeep of the land should be charged directly to expenses. If land is acquired with improvements existing the cost of the land should be separated from the cost of the building. A convenient way of determining this is to use the percentages used for real estate tax assessment as to the land and building. Land does not depreciate with the passage of time or by usage as does the building. Depreciation of the building is taken each year as discussed below.

3100 Buildings - This account shows the original cost of the buildings used in the operations and the cost of subsequent additions or improvements to the buildings.

3200 Accumulated Depreciation of Buildings - Each year a portion of the cost of each building is charged to the operations of that year. This is in conformity with the theory that each year the building is less valuable or has "depreciated". The amount of the charge to operations and additions to the accumulated amount of depreciation taken since the acquisition of the building, which the account represents, is determined when the building is acquired under some arbitrary estimate as to how long the building will be able to serve the organization. As an example, if a building is purchased for $80,000 and the management of the workshop feels that the building will be able to serve the organization for 40 years, each year the building would be depreciated by $2,000. This amount would be

charged against the operations of the year and would be added to the accumulated depreciation taken on the building.

3300 Furniture, Fixtures and Equipment - General and Administrative - This account reflects the cost or market value of all furniture, fixtures, equipment, etc. used in the offices or other places in the workshop other than in the workshops themselves. Some workshops might wish to subdivide this account further into equipment used for fund raising, rehabilitation, community services, etc., in order to facilitate a charge for depreciation against these departments or activities.

3400 Accumulated Depreciation of Furniture, Fixtures and Equipment - General and Administrative - This account, like the accumulated depreciation of buildings above, reflects the amount which has been charged against earnings over the period since the asset was acquired as that portion of the aging or depreciation by usage of the equipment. Depreciation of Furniture, Fixtures and Equipment is of course much faster than for buildings. Desks, Chairs, File Cabinets, etc. usually have no value after 10 years service. Therefore, each year 10% of their costs would be written off. Mail handling machines and other equipment might not be of value after five or six years. Their costs would be added to the accumulated depreciation account and charged against operations for the five or six years of their usefulness at a larger percentage.

3500 Automobiles and Trucks - The cost of all vehicles owned by the workshop is reflected in this account. Some workshops might wish to segregate this account into vehicles used in the operation of the workshop such as delivery trucks and other vehicles used for community services, transportation of employees, etc. This will facilitate the accounting charge for depreciation to the various departments or services for their proportionate share of the decline in value (depreciation) for the period. The serial numbers, make, model, etc. of each vehicle should be maintained either within the account or in some other convenient place such as a separate depreciation schedule.

3600 Accumulated Depreciation of Automobiles and Trucks - This account, like the above accumulated depreciation accounts, represents the amounts by which it has been estimated that the vehicles have declined in value by wear and tear, usage or age. The average life of a car is 4 years or less. Trucks can be useful for as much as six or seven years.

3700 Workshop Equipment - This classification of equipment should be subdivided into various production departments or other activities carried on by the workshop. This will facilitate the accounting charge for depreciation of the equipment to the various departments. The cost or market value of the asset on the date of gift should be charged to this account.

3800 Accumulated Depreciation of Workshop Equipment - The useful lives of the equipment used in the workshops will vary. Office type of equipment will normally be used for ten years. Other equipment will last for shorter and longer periods. A reasonable estimated useful life can be determined when the asset is acquired. The cost of the asset would then be divided over the number of years so determined. No attempt has been made to explain the various accelerated methods of depreciation such as "declining balance", "sum of years digits", etc., which could be taken on most of the assets of the workshops. Most workshops are tax exempt and would not need these methods. Some, however, might wish to use one or more of these methods in order to maintain their financial statements on a more conservative liquidation type basis, or for other reasons. If so they should consult with their accountants.

LIABILITIES

4000-4999 Current Liabilities - Current Liabilities refers to any obligation due to be paid within the coming year.

4000 Accounts Payable - This account will reflect all the liabilities due by the organization for workshop supplies, purchases, etc. Some workshops will also include items which would be in account number 4300 "Accrued Expenses Payable" with the other accounts payable. If a voucher register is maintained to record invoices received from suppliers, etc. this account should be Vouchers

Payable. The entries in this account would be made the same as from a purchases journal or voucher register and would be supported by a subsidiary ledger or unpaid vouchers indicating the amount due each supplier.

4100 Salaries, Wages and Fees Payable - These accrued liabilities would be recorded on the books at the end of the accounting period, based on the number of days of the pay period which have been earned by the employees, consultants or others who render services to the organization or its clients or employees. Fees by lawyers, accountants or others for services not relating to the operation of the workshop or its services to employees or clients would be recorded in account number 4300 "Accrued Expenses Payable".

4200 Taxes Payable - The employee and employer share of social security, unemployment compensation and other types of taxes due by the organization would be accrued at the end of the accounting period. It would be desirable to separate the types of taxes into separate accounts. This can be done as follows:

4210 F.I.C.A. Taxes Payable Withheld portion
4211 F.I.C.A. Taxes Payable Employers Share Accrued
4215 Federal Withholding
4216 State Withholding
4220 State Unemployment Compensation Deducted
4221 State Unemployment Compensation - Employers Share Accrued
4230 Personal Property Taxes
4240 Excise Taxes Collected on Sales
4250 Other Taxes Payable

4300 Accrued Expenses Payable - This account will reflect all amounts due by the organization for legal, accounting, rent accrued, interest, employees' health and accident insurance, retirement, pension, etc., due at the end of the accounting period. These expenses should be separated into accounts for each type of accrued expense if needed.

4400 Clients' Advance Payments - Most members of the National Association of Sheltered Workshops and Homebound Programs will not be rendering services to clients which will be charged to the client. If they do and require a deposit at the time of admission or if an advance payment is received for services to be rendered to the client, this account will reflect the balance that has been prepaid and unearned by the workshop at the end of the accounting period. When, or as, the services are performed the client's account (account #1260) is decreased (Credit) and this account (#4400) is also decreased (Debit). The client's account (#1260) is debited and income recorded (Credit) as with any other income.

4500 Refundable Contributions and Grants - Some grants and contributions received will be for a specific project or purpose or for a specific time limitation. If the funds are not used for the specific purpose or within the specified period of time the grant is to be returned to the donor. The unused portion of the grant or contribution will be reflected in this account. This account would be separate from Restricted Receipts (accounts 600-6999) in that they are refundable if not used, but the restricted receipts are simply set aside for a specific purpose.

4800 Other Current Liabilities - All current liabilities not provided for elsewhere would be reflected in this account. Separate accounts may be maintained if desired.

5000-5999 Mortgages, Notes Payable and other Long Term Liabilities - These accounts will reflect the amounts due on all notes, mortgages and other liabilities due by the organization. A separate account should be maintained for each note or mortgage.

6000-6999 Restricted Receipts and Deferred Income - Certain Contributions, Grants and endowments will be restricted by the donor for a specific purpose or the management of the workshops may wish to set aside specific receipts for some specific project. These receipts would be recorded in this series of accounts. As the assets are acquired, the services rendered or other stipulation in the grant is met and the amount spent on the project is taken from the restricted receipts and applied to the project. Instructions for handling restricted receipts are covered elsewhere in this manual.

NET WORTH

7000-7999 These accounts will reflect the current worth or deficit of the organization. In other words, this account will show the excess of its assets over its liabilities indicating its net worth. If the liabilities exceed its assets it would indicate its deficit. At the end of each year the balances of the income and expense accounts are closed into the account #7100 and then transferred to account #7000 to indicate the new net worth at the beginning of the next year.

INCOME AND EXPENSE ACCOUNTS

8000-9999 Most of these accounts will be self-explanatory. They have been designed to provide the information necessary to prepare an income and expense statement comparable to the one shown in this manual.

A P P E N D I X

EXAMPLE SHELTERED WORKSHOP TYPICAL DAY'S TRANSACTIONS

The following are a few illustrations of the transactions of a Workshop. These can be handled differently by providing more journals, etc. These entries have been made to provide the following books and journals for the Workshop:

CASH RECEIPTS AND OTHER INCOME

CASH DISBURSEMENTS

PURCHASES JOURNAL or VOUCHER REGISTER

GENERAL JOURNAL

GENERAL LEDGER

PAYROLL JOURNAL

This has been done for simplicity. Some Workshops will need other journals but others may be able to combine some of the above. A good deal of time can be saved in medium size Workshops by using "one-write" posting boards.

Received the following correspondence, income and invoices and paid accounts due:

1. Letter from the United Fund pledging $5,000.00 for the current year.

2. A check from the United Fund for $1,250.00 representing first payment on the above pledge.

3. Workshop Department B advised that it received a group of furniture to refinish, etc., to be sold. Value placed on the donation, $50.00.

4. The fund raising department received $250.00 in cash donations.

5. A tax bill received and paid today from the city for Real Estate Taxes for the year, $600.00. This bill began the first of this month.

Therefore, $50.00 is for the current month and $50.00 for each succeeding month, making $550.00 prepaid.

6. The Petty Cash fund is to be replenished. The following approved vouchers are submitted:

Purchased various cleaning supplies for the building	$ 3.25
Travel expenses by the Executive Director	12.50
Postage Stamps for Fund Raising Department	20.00
Postage Stamps for Administrative uses	5.00
Cab and bus fares for Community Services Personnel	17.00
Miscellaneous Supplies used by Workshop Department A	3.50
Total Check Written to Petty Cash	$ 61.25

7. Payroll written for week:

Executive Director		$ 150.00
Secretary to Executive Director		75.00
Community Services Personnel		250.00
Fund Raising Personnel		200.00
Building Janitors, Etc.		90.00
Workshop Department A:		
Handicapped Employees - Wages Earned	$250.00	
Handicapped Employees - Wages Subsidized	30.00	
nonhandicapped Employees	75.00	355.00
Workshop Department B:		
Handicapped Employees - Wages Earned	$200.00	
Handicapped Employees - Wages Subsidized	30.00	
Nonhandicapped Employees	60.00	290.00
Rehabilitation Counselor		125.00
Total Payroll		$1,535.00
Less: Social Security Taxes	$ 55.64	
Federal Withholding Taxes	125.00	
State Withholding Taxes	15.36	196.00
Net Payroll Check		$1,339.00

8. Sales of Rehabilitation Equipment and Supplies for the day in the amount of $25.00.

9. Received a check for $500.00 from the Lions Club to be used for Equipment to be purchased.

10. Received from Vending Machines as share of income for week, $4.80.

11. Local Savings and Loan Association added $100.00 to the savings account representing interest for the quarter.

12. Invoices Received:

ABC Paint Store - Supplies for Workshop Department A	$130.00
Ace Manufacturing Company - Raw Materials for Department B	750.00
City Electric Company - Separate Electric Service for machines in Department A	60.00

Form 1

EXAMPLE SHELTERED WORKSHOP
CASH RECEIPTS AND OTHER INCOME JOURNAL
MONTH OF _____196_

Form 1

	Date	Received From	For	Dr. 1001 Cash in Bank	Dr. 1002 Cash in Bank	Dr. Other Debits Acct. #	Dr. Other Debits Amount	Dr. Accounts Receivable #	Dr. Accounts Receivable Amount	Cr. Accounts Receivable #	Cr. Accounts Receivable Amount	Cr. Donated Goods and Services 8400	Cr. Fund Raising 8300	Cr. Fees, Grants & Subsidies #	Cr. Fees, Grants & Subsidies Amount	Cr. Other Credits #	Cr. Other Credits Amount
1		United Fund	Aldg - Amount for			1280	500000							8180	500000		
2		United Fund	Payment on Aldge	125000												1280	125000
3		Donations	Department B			9220	5000					5000					
4		Donations	Fund Raising Dept	25000									25000				
5		Sales		2500												8090	2500
6		Lions Club	Purchase of Equip.	50000										8200	50000		
7		Vending Machines		480												8520	480
8		Savings & Loan Assn	Interest for qtr	10000												8510	10000
9																	
10																	
11																	
12																	
13																	
14																	
15																	
16																	
17																	
18																	
19																	
20																	
21																	
22																	
23																	
24																	
25																	
26																	
27																	
28																	
29																	
30																	

Form 2

EXAMPLE SHELTERED WORKSHOP____
CASH DISBURSEMENTS
MONTH OF _____196_

Form 2

	Date	Payee	For	Cr. Check #	Cr. Check Amount	Dr. Cash Disc.	Cr. Taxes Withheld #	Cr. Taxes Withheld Amount	Cr. Other Credits #	Cr. Other Credits Amount	Dr. Accounts Payables-Other & Taxes Payble	Dr. Accounts Payables-Other & Taxes Account #	Dr. Accounts Payables-Other & Taxes Amount	Dr. Salaries, Etc. Account #	Dr. Salaries, Etc. Amount	Dr. Materials and Supplies Account #	Dr. Materials and Supplies Amount	Dr. Other Debits Account #	Dr. Other Debits Amount
1		City	Real Estate Taxes		600 00							9906	5000					1700	550 00
2		Petty Cash	Per Vouchers		61 25													9107	325
3																		9902	1250
4																		9104	2000
5																		9102	500
6																		9903	1700
7																		9230	350
8		Payroll for Week			133900		4210	5564						9001	15000				
9							4215	12500						9001	7500				
10							4216	1536						9003	25000				
11														9005	20000				
12														9002	9000				
13														9030	25000				
14														9031	3000				
15														9030	7500				
16														9040	20000				
17														9041	3000				
18														9040	6000				
19														9004	12500				
20																			
21																			
22																			
23																			
24																			
25																			
26																			
27																			
28																			
29																			
30																			

Form 3

EXAMPLE SHELTERED WORKSHOP

PURCHASES OR VOUCHER REGISTER
MONTH of _____ 196_

Form 3

	Date	Vendor	Cr. Accounts Payable 4000	Dr. Salaries, Wages Etc. Account #	Dr. Salaries, Wages Etc. Amount	Dr. Materials and Supplies Account #	Dr. Materials and Supplies Amount	Dr. Reparis and Maintenance Account #	Dr. Reparis and Maintenance Amount	Dr. Utilities Account #	Dr. Utilities Amount	Dr. Other Debits Account #	Dr. Other Debits Amount
1		A B.C. Paint Store	130 00			9230	130 00						
2		Ace Manufacturing Company	750 00			9240	750 00						
3		City Electric Company	60 00							9260	60 00		
4													
5													
6													
7													
8													
9													
10													
11													
12													
13													
14													
15													
16													
17													
18													
19													
20													
21													
22													
23													
24													
25													
26													
27													
28													
29													
30													